

Message Text

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TAGS: ENRG, VE

SUBJECT: VENEZUELAN SUPREME COURT REJECTS OIL COMPANIES
CHALLENGE OF REVERSION LAW

REF: CARACAS A-463 OF NOV. 30, 1973

1. THE VENEZUELAN SUPREME COURT ON DECEMBER 3, 1974,
DECIDED BY A VOTE OF FOURTEEN TO ONE TO REJECT THE
PETITION OF SEVEN INTERNATIONAL OIL COMPANIES TO DECLARE
UNCONSTITUTIONAL THE 1971 VENEZUELAN OIL REVERSION LAW.

2. THE LAW OFFICIALLY ENTITLED "LAW CONCERNING PROPERTY
SUBJECT TO REVERSION IN HYDROCARBONS CONCESSIONS." WAS IMPL-
MENTED JULY 31, 1971, AND PUBLISHED IN THE OFFICIAL GAZETTE
NO. 29.577 OF AUGUST 6, 1971. IT WAS CHALLENGED IN A PETITION
TO THE SUPREME COURT MADE IN AUGUST 1971 BY SHELL, CREOLE,
MENE GRANDE, TEXACO, MOBIL, SINCLAIR AND ATLANTIC
REFINING OIL COMPANIES, AS BEING UNCONSTITUTIONAL IN THAT IT
AFFECTED RIGHTS AND GUARANTEES ENJOYED BY THE COMPANIES
UNDER BOTH THE VENEZUELAN CONSTITUTION AND HYDROCARBONS
LAW AND VIOLATED THE CONSTITUTIONAL GUARANTEE AGAINST
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RETROACTIVE APPLICATION OF NEW AND MORE STRINGENT LEGISLATION

OF THE OIL INDUSTRY.

3. THE DECISION OF THE SUPREME COURT OF DECEMBER 3 FOUND THE OIL COMPANY PETITION TO BE WITHOUT EFFECT (SIN LUGAR). BY REJECTING AT THIS TIME THE LEGAL EFFORT OF THE OIL INDUSTRY TO RESIST NATIONALIZATION BY THE VENEZUELAN GOVERNMENT, THE PATH APPEARS TO HAVE BEEN CLEARED OF LEGAL OBSTACLES FOR THE ACCELERATED NATIONALIZATION OF THE

OIL INDUSTRY ANNOUNCED BY PRESIDENT PEREZ IN APRIL 1974.

4. OIL COMPANY REPRESENTATIVES RECEIVED THE NEWS OF THE SUPREME COURT DECISION PHILOSOPHICALLY. THE PETITION TO THE SUPREME COURT OF THREE YEARS AGO HAD ALL BUT BEEN FORGOTTEN IN THE INTERVAL, AND CERTAINLY HAS NOT BEEN CONSIDERED A LINE OF DEFENSE BY THE OIL COMPANIES AGAINST THE PREZ ADMINISTRATION NATIONALIZATION POLICY. AT BEST, IT WAS A TOKEN EFFORT TO SATISFY ALL LEGAL RECOURSE AGAINST THE INEVITABILITY OF ANTICIPATED NATIONALIZATION.
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